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PENSIONS FOR THE CLERGY

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BOSTON

The conditions of modern life and the demands for efficiency are pressing the question of salaried workers and wage earners. Salaries and wages are not large enough to enable them to lay up sufficient money for old age. Efficiency demands early retirement from the most active fields of service; division of labor and expert work offer few new openings for those who have passed middle life; the children have not wages or salaries large enough to support their aged parents; adequate life insurance is too expensive for most. The community as a whole must keep its members from suffering and starvation. Hence the demand for retiring- or old-age pensions, under systems whereby all the people in their active days pay taxes for the support of a part of the people in their old age.

Whether the systems be of the state, of a corporation, of a university, or of a Church, the principles are much the same. I mention a few.

Pensions are not charity. They are an extension of the salary or wage beyond the working years. The distribution of the cost of pensions may be varied. The final result is that the cost falls on a large number of people, most of whom in their turn will be benefited directly or indirectly by the system; for in the last resort society as a whole cannot let people starve, and therefore must in some way meet the cost of food and support of the helpless aged. The pension system is one way, and with increasing frequency is felt to be the best way to meet the situation.

Pensions are costly; more costly than most people, even those who are supporting and passing bills for the pensioning of teachers, policemen, and other public servants, yet realize. The bankruptcy of a number of pension systems shows this.

If a man earns his living and supports his family for forty years, and then with his aged wife comes upon a pension system for ten years, that last term involves one-fifth of their whole mature life expenditure; and the payment of pensions to persons disabled for life in early manhood is very costly. Hence the state, great corporations, colleges, and the Churches face a great problem. The science of pensions is yet in its infancy. Besides the necessity of pensions and their costliness, a few other lessons have been learned.

Except for a small and fixed or slowly increasing constituency, the capitalization of pensions is out of the question. The Carnegie Foundation for the pensioning of college teachers, limited to a small and select constituency, has already been obliged to have its capital enlarged, and its fixed charges are steadily increasing. When one considers the pensioning of several thousand persons of an increasing constituency, such as the school-teachers of a state, the ministers of a denomination, the capitalization of a safe system would run into scores and hundreds of millions of dollars. Pensions must be raised as salaries are raised—from the annual incomes of the constituencies.

A pension system to be safe and successful must be compulsory. Voluntary systems have thus far been confined to very limited amounts of aid, and most of them have some charity endowment behind them. It is one of the singular freaks of human nature that men and women who approve highly of voluntary systems for pensions do not go into them or else do not stay in them long. Only compulsion or contract holds them.

The assurance of a living pension in old age gives buoyancy and confidence to the worker during his active years. Herein is the secret of efficiency. The worker works without anxiety for the future support of himself and wife; he can retire from work when his strength is waning, and thus enable an active man to take his post and sustain the efficiency of the work. How many an aged pastor today is disintegrating the parish which his active years have built up! The people, children of his pastorate, cannot honorably turn him out to suffer. They are unable to pension him and at the same time pay an active rector. He realizes and regrets the situation; it cuts him to the quick: so do the people. With fineness of character on both sides, the years may wear on with quiet dignity until his death. Sometimes the strain is too great, and through the fault of no one, only the lack of a pension system, the loving pastorate of a generation ends in disaster to pastor and people.

Again, it is clear that any pension system, to be safe, must be based upon a broad basis of actuarial study and figures. A corporation, a state, or a Church cannot guess what amount it must lay aside this year in order to meet the pension liabilities twenty-five years hence. A multitude of questions and conditions enters in—the average duration of life of those in that particular constituency, their age of entrance into active service, their age of retirement, their chances of early disability, their ratio of increase in numbers, etc., etc.

Averages can be calculated only upon the basis of a knowledge of hundreds, better thousands, of persons in the same sort of constituency. For instance, the fact that clergymen live longer than persons of most other callings adds heavily to the cost of their pensions. How much longer? How much greater cost? Only a skilled pension actuary can tell after exhaustive study of large numbers.

What about the pensioning of Clergy? Is it advisable? Is it possible? The Protestant Churches are committed to the liberty of their ministers to marry. We believe heartily that this is best for the Church and the people. The Churches are therefore committed to such a support of the clergy with their families as will enable them to work with efficiency and buoyancy. The question may well be asked as to whether the salaries of most of the clergy today are not so limited as to hamper seriously their efficiency. A pastor who puts several hours a day into family cares, household details, and petty economies, who cannot buy books, is not, unless he be an exceptional man, as efficient as if he had an adequate salary. Laymen have a direct interest in this. Meagre salaries mean inefficient service. Small salaries of able and faithful men involve wasteful business. The Churches must, if the clergy are to do more efficient work, give thought and energy to the invention and development of measures leading to the increase of active salaries. Deeper spiritual life, finer spiritual enthusiasm, and better business methods, are needed for this. One great step towards this increase, the most practical step at this time, is a pension system whereby, although the immediate salary is not enlarged, the minister escapes the necessity of saving for old age and also does better work in his relief from anxiety, while the parish gains better results and is not in danger of being burdened with an aged pastor unable to do his work. The laity too are relieved from perpetual calls upon their charity in behalf of the aged clergy and their families. Whether the Churches will be able to create such a system or systems is a problem now before us. The need is great; the practical difficulties are great; we shall gain nothing by blinking at them.

The purpose of this article is to make a contribution to the study of the subject by sketching a system which is being placed before the Protestant Episcopal Church.

The principles of the system were approved by the General Convention of that Church last autumn. The subject is now before the several dioceses for their consideration, as to whether they are willing, and, if willing, are able financially to enter the system. Upon their response in the next year or two rests the answer to the question as to whether the system will be carried through.

In approving this system the Church has risen to the determination that it is neither fair nor economical for the parishes to pay mere living salaries to the clergy during their years of active service, and then throw them and their families upon charity. The support of the clergy means and involves their support until death, and, even beyond their death, the continuation of support to widows and minor children.

The way to accomplish this is not to ask of each parish the impossible task of paying its rector a salary large enough to enable him to save sufficient capital for old age and for his widow and orphans, but to ask each parish or missionary board while it is paying the active living salary to pay also into a central pension fund a certain amount, a certain percentage on the salary, which, placed at compound interest, will later pay the pension of the rector when he retires or is disabled, and will pension also the widow and minor children.

Such a system demands for its safety and success exact and scientific actuarial work and a strong and responsible organization. As to the first, answers to a carefully prepared questionnaire including all essential questions have been received from ninety-eight per cent of the 5,600 clergy. These answers, having been codified and classified by an expert, have been given to an expert pension actuary with other information and the proposed rules of the service. When his findings have been received, the authorities of the Pension Fund will be in a position to notify the parishes as to the exact

cost to each one of the pension system. The proposed pensioners will include all the clergy who are in church-work. A minister who is a professor in a college, for instance, would look to other sources for pay and pension.

As to organization, trustees elected by the General Convention have been incorporated in New York as the Church Pension Fund, and have opened an office in Wall Street, New York, for preliminary study and work. In that office will be kept up to date from month to month a record of every clergyman of the Church, his age, position, salary, etc.; for as every clergyman is canonically connected with some diocese, these data can always be known and every change immediately recorded.

In theory the central office will keep in connection with every parish and clergyman. In practice the central office will work through the authorities of the diocese to the parishes and clergy, this being simpler and placing responsibility upon the diocese.

Each year each diocese will hear from the Church Pension Fund what amount—a ratio based on the salaries and other conditions of the clergy in that diocese that year—it must pay into the Church Pension Fund treasury in order to insure the full pensions of its clergy; and the various parishes will be assessed their proportionate amount. If a diocese does not pay its assessment on any given year, the clergy resident in that diocese in that particular year will upon retirement have deducted from their pension the proportionate sum with interest lacking on that year; for if no money for that year has been on compound interest, there is no money to pay out.

The Church Pension Fund is not a charitable institution; it does not pretend to give something for nothing. It is a holding company, which, basing its work on scientific and actuarial study, pays out with interest

what it takes in, and the amount so realized will be sufficient to meet its obligations as they come through the retirement, disability, or death, of the clergy.

Until the final actuarial results have been made up, the precise figures cannot be given; but from an approximate calculation based upon answers from seventy-five per cent of the clergy, the following results can be estimated. If the Church through the parishes and other organizations pays out to the clergy each year in salaries nine millions of dollars (rectories being valued for rent at fifteen per cent of the salary), the parishes and organizations should also pay through their dioceses into the Church Pension Fund an amount equal to seven per cent of the salaries, or \$560,000. This would insure the following pensions: Upon retirement at the age of sixty-eight, a clergyman ordained at the usual age and in active service will receive from the central Church Pension Fund an amount equal to half his average life salary. Those ordained later will receive proportionately less. The system however departs from scientific exactness in assuring a minimum pension of \$600 and a maximum pension of \$2,000. That is, there will be a slight loading on the parishes paying large salaries for the benefit of the whole body, but the extreme cases are so few that the loading will be very slight. The age of sixty-eight may be thought high; but each year added increases greatly the resources of the Fund. Moreover, a disability-clause which promises a pension equal to forty per cent of the last salary enables a man to retire, if necessary, at any age. To the widow of a clergyman is promised an annuity equal to one-half of the pension her husband would have been entitled to during marriage, with a minimum of \$300. To each minor orphan child under seven is promised an annuity of \$100; to each child between seven and fourteen, \$200; for each dependent minor over fourteen, \$300. The widow's burden is thus lightened

according to the number of her children, and their education is considered. These statements and figures are in the rough, and are of course subject to modification by rules according to varied conditions. This proposed system is now before the dioceses for their consideration. The difficulties are great and should be frankly stated and met.

I. The pension system is costly. Can the Church as represented in dioceses and parishes afford it? That is for them to say. Without the system, the clergy, their widows and orphans, will continue to be dependent upon the chances of charity, and will be held up to society, as they often are now, as piteously needful and appealing for help. No calling, not even of the ministry, can retain the respect of the people while standing in the role of a pauper.

Without the system, the laity will be subject to continual calls for contributions, of the wisdom of whose distribution they can have no knowledge. The system once started, no appeals will again be necessary. Without a pension system, the ministry will be liable to fall behind other high callings in efficiency.

II. In this explanation I have thus far omitted to mention the tremendous problem of accrued liabilities. What are they? Suppose a clergyman ordained at twenty-eight is now fifty-eight and the pension system is starting. For the next ten years, until his retirement at sixty-eight, the money will flow into the treasury for his pension. When, however, he comes to receive his pension, there will be in the treasury only the amount with interest that has been paid in for ten years. Where is the money that should have been paid in for his first thirty years of service? It is not in the treasury but in the pockets of the laity, who, because the system was not started thirty years ago, have not been called upon to pay. This sum, the liability of those thirty years,

is the "accrued liability"; and it takes only a moment's thought to appreciate what an enormous sum that would be in a body of 5,600 clergy. Perhaps thirty or forty millions of dollars. It is the neglect to consider or provide for the accrued liabilities and the happy optimism that things will all come out right somehow, that has been the undoing of a number of pension systems, and that will lead others within a few years into bankruptcy.

The Church Pension Fund sets the problem of accrued liabilities aside as an entirely separate problem from the active system. The active system could begin and go on without any thought of accrued liabilities. In that case, the pensions of men soon retiring would be almost nothing. Yet "almost nothing" is a little more than they would get without any system. The clergy retiring a few years hence, those retiring twenty and thirty years hence, would receive larger and larger pensions until upon the passing of the present body of clergy, the full system would be running and the full pensions paid. But to ask the churches to increase their fixed charges for clerical support by five or six hundred thousand dollars and at the same time to wait for a generation for the full results, would demand greater patience than could be expected even of the Saints.

The fact is, that with \$3,500,000 in hand to meet to a certain degree the accrued liabilities and the system started, the Church can begin immediately to pay pensions of considerable and steadily increasing amounts, and at the close of a generation with the \$3,500,000 expended, the system will go of itself. In other words, this sum, although exhausted, will have accomplished more than an endowment many times larger could accomplish. It will have started a great and beneficent pension system. With speed once on, the resources and power within will keep the system moving.

The strong hope of the Church Pension Fund is that those laymen of the Church of keenest business insight will see the enormous advantage to the Church, the clergy, and especially the laity, in the immediate creation of a pension system which will pay to a certain degree the accrued liabilities as well as the earned pension.

A sum, say, of \$3,500,000 in the hands of the Church Pension Fund would enable the Church to meet with some adequacy the accrued liabilities, and would commit the Church to a pension system which would afterwards go of itself; which could not run into bankruptcy; which would place the clergy in a dignified position before the public; and which would release the laity from the frequent appeals for help in behalf of the aged clergy and their dependants.

III. A pension system, to succeed in holding its full constituency, must be in some sort compulsory. How can a Church make a condition of compulsion? I do not see how loosely organized Denominations can. This, it seems to me, is an insuperable difficulty to scientific pension systems in Congregational Denominations. The difficulty is very great even in a more closely knit organization like that of the Episcopal Church. There can be no satisfactory compulsion unless there be real penalties. The money to be paid to the Church Pension Fund is not a contribution or an offering or a response to an apportionment. It is an assessment to be met under agreement; for if the pension is expected, the money or assessment must be paid in order that it may go on interest. It is for the parishes to decide through their dioceses as to whether they will accept or invent some form of penalty which will compel payment or result in the loss of certain privileges. In one or two dioceses where a pension system of the clergy is in action, parishes which have not paid their per-

centage as called for are by canon disfranchised for that year. They lose the privileges of seat and vote in Convention. This does not get the money; their property cannot be sold for taxes; but it brings a strong pressure upon them, probably the strongest the Church can exert. Even that, however, is not such pressure as the state can exert for non-payment of taxes. Whether the parishes of the Church through their dioceses will be able or willing to bring any such pressure or compulsion upon themselves, is a question. Some penalty or form of compulsion there must be.

The point that the Church Pension Fund has to make clear is that this is a business proposition; that it is either a system or nothing. It is a contract or agreement which the parties must be under a compulsion to meet—a compulsion stronger than hope or good intention; under such an obligation as must bring the results. Perhaps some form of penalty or compulsion better than that which I have suggested may be discovered.

The alternative is now before the Episcopal Church;—in the consideration of its aged clergy, their widows and orphans, will it continue in its present condition, detracting from the dignity of the clergy, irritating to the laity, and with the present movements in education and society, liable to keep the Church less and less efficient, endangering its spiritual work and leadership? or will it enter upon a system which will place the clergy and their dependants in a position of far greater buoyancy, cheer, and dignity; which will enable men of weakening powers to give place to those younger and stronger; which will keep our parishes manned with vigor; which will enable every clergyman to feel that wherever he is, in South, West, or East, he has in his old age fair treatment from the Church; which will enable every clergyman during his active service to give himself fully and freely without carking cares and anxiety for the future of himself,

his wife, and his children, to the spiritual work of the Church?

Again I say, this question of the pensions of the clergy is not charity, but efficiency, the spiritual leadership of the Church in the coming years.

In attempting to solve for herself this great problem, the Episcopal Church believes that she is leading the way towards meeting in a thoroughly scientific manner a pressing social question, and that her work will be of great value, not only to other Churches but to great commercial and industrial organizations, to banks, railroads, and factories, even to states and governments.